

Yunker Brothers, Inc. 1975 Annual Report for the Fiscal Year Ended January 31, 1976 • 120 Years Young

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“We have come to live here...”

The Younger story began in 1856 when Lytton, Samuel and Marcus Younger founded the first Youngers store in the prosperous river town of Keokuk. Using their store as headquarters, the brothers carried packs of merchandise and peddled to the pioneers. They ate and stayed with farmers along their way, always paying for their keep with merchandise from their packs. Thus, they planted the first seeds of good will for the store.

Herman Younger, younger brother of the three founders, was impressed

with the rapid growth of Iowa’s Capital City; and in 1874 was sent to Des Moines to open the first branch store. The new Des Moines store was opened in a one-story room in the old McCain block near Sixth and Walnut. Soon after the opening, the new store ran its first advertisement in the “Iowa State Register” on October 3, 1874. It read: “We have come to live here and mean to do what is right. If you want honest goods at bottom prices, call at Younger Brothers.”

In 1879, following the death of Samuel Younger, the Keokuk store closed.

(Continued on Page 18)

To Our Shareholders

Younkers has completed a record year. Sales rose to an all time high of \$118,853,758, or an increase of 11.1% over the preceeding year. Earnings increased 15.8% to \$5,006,938 or \$3.51 per share, which also is a record high earnings per share.

As we have stated in the past, Younkers stores are located in trading territories which are a fortunate mixture of agriculture and industry. This firm foundation under our regional economy has again helped us in the past year in attaining the record sales and increased earnings.

Younkers opened a larger, more modern unit in Austin, Minnesota, replacing a store opened there in 1958. We also opened a new 100,000 square foot store in Empire Plaza in Sioux Falls, South Dakota, which is a new trading area for us.

Included in new store openings in 1975 was a new store in SouthRidge Mall in Des Moines, which is the anchor unit of a large development in south Des Moines. Concurrent with this new store was the complete remodeling of our Merle Hay Mall store in northwest Des Moines, making it one of the finest stores in the midwest. The addition of the SouthRidge Mall store increases our strength and dominance in the greater Des Moines market.

On March 2, 1976 Younkers Board of Directors increased the dividend on common stock payable April 1, 1976 from \$.30 to \$.35 per quarter. This increase to an annual rate of \$1.40 represents an increase of 16.7%. Our continued growth in sales and profits enabled this increase in dividends.

Our annual report has a tintage look about it. This nostalgic look backward comes at a time when our nation is looking at its history, assessing its course over the past 200 years.

Younkers can look back on 120 of those years and watch a peddler's pack grow into a large retailing organization serving a five state region.

On the record books are many "firsts" that have contributed to Younkers growth and stature. Today the spirit and initiative to be first is still alive and working to your advantage. This report points out our historical highlights as well as our new store development in prosperous markets.

We have no new store openings planned for 1976. This will be a year of stressing the increased efficiency and productivity of our existing units and personnel resulting in increased sales and profits. In addition, we will be working on the plans and construction of a new, more modern unit in Purlington, Iowa, replacing an existing unit. We also will be working on a new 80,000 square foot store in a new shopping center under construction in Sioux City, Iowa, which will be in addition to our present downtown unit in that city. These two new units are planned to open in 1977.

Mr. J. Stuart Kirk has asked that he not stand for re-election to Younkers Board of Directors. Mr. Kirk served as Secretary-Treasurer of the corporation for 25 years before retiring from that position in 1968, and as a director for 29 years. His devotion to Younkers has been truly magnificent. Since his retirement from daily activity with the company, he has given many hours of counseling to many of the Younker associates, helping them have a better understanding of the problems which have faced each individual and helping them solve those problems. It is with deep regret that Mr. Kirk will not continue as a member of the Younkers Board of Directors. We shall miss his counsel.

As always we owe our grateful thanks to our Younker Associates who have helped make this record year possible. We also want to extend our appreciation to our many suppliers for their cooperation in helping us bring to our many loyal and wonderful customers the latest in fashion and quality merchandise.

In behalf of the Board of Directors
of Younker Bros., Inc.



Charles Duchen
President

Summary of Operations

(Dollars in Thousands Except Per Share Data)

	FISCAL YEAR ENDED JANUARY 31,				
	1976	1975	1974	1973	1972
Net sales, including leased departments	\$ 118,854	\$ 106,893	\$ 100,074	\$ 90,766	\$ 86,500
Cost of goods sold (A)	75,104	67,740	64,014	57,912	55,084
Buying, selling and administrative expense (less credit service charges) exclusive of items listed below	8,892	7,815	7,081	5,907	5,752
Salaries and wages	19,056	17,314	14,973	14,066	13,618
Property rentals, net	2,872	2,207	1,988	1,659	1,451
Depreciation	2,189	1,908	1,554	1,415	1,261
Taxes other than income	2,365	2,133	2,003	1,843	1,814
Contribution to profit sharing trust	923	907	867	812	745
Interest and financing	586	564	565	568	611
Other income	(1,850)	(1,188)	(1,281)	(2,950)	(1,052)
Income taxes	3,710	3,421	4,116	4,316	3,487
Earnings before extraordinary items	5,007	4,072	4,194	5,218	3,729
Extraordinary items, net of related income taxes (B)	—	253	—	—	—
Net earnings	\$ 5,007	\$ 4,325	\$ 4,194	\$ 5,218	\$ 3,729
Cash dividends on preferred stock	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151
Net earnings applicable to common stock	\$ 4,856	\$ 4,174	\$ 4,043	\$ 5,067	\$ 3,578
OTHER DATA					
Net earnings per common share:					
Earnings before extraordinary items	\$ 3.51	\$ 2.81	\$ 2.67	\$ 3.18	\$ 2.27
Extraordinary items	—	.18	—	—	—
Net earnings	\$ 3.51	\$ 2.99	\$ 2.67	\$ 3.18	\$ 2.27
Dividends per common share	\$ 1.20	\$ 1.20	\$ 1.70	\$ 1.29	\$ 1.05
Equity of common stockholders	\$ 46,249	\$ 43,127	\$ 41,885	\$ 42,369	\$ 37,281
Net asset value per share of common stock	\$ 33.53	\$ 31.19	\$ 28.95	\$ 26.58	\$ 23.66
Average number of common shares outstanding	1,382,547	1,396,272	1,513,633	1,592,714	1,575,735
Stock price — high/low	\$ 22½/13	\$ 20/13	\$ 29½/17½	\$ 30½/25¾	\$ 34½/23
Working capital	\$ 30,429	\$ 31,650	\$ 32,892	\$ 38,313	\$ 33,891
Current assets per dollar of current liabilities	\$ 2.73 to 1	\$ 4.03 to 1	\$ 3.72 to 1	\$ 4.23 to 1	\$ 4.31 to 1

(A) 1975 and subsequent years' inventories are valued at cost on the last-in, first-out (LIFO) method. 1974 and prior years' inventories are valued at the lower of cost or market as determined by the retail inventory method.

(B) Extraordinary items — As a result of the write-off of Penn Central Transportation Company commercial paper, an extraordinary charge against earnings was incurred in fiscal 1971. During fiscal 1975, the Company recovered its original investment and interest.

Management's Discussion and Analysis of the Summary of Operations

The following information is given to further explain certain financial information shown in the Summary of Operations. For the purpose of this analysis the fiscal year ending January 31, 1976 will be referred to as 1975. The same will be true for other years.

The increase in sales for the years 1974 and 1975 was due in part to sales generated by the opening of additional stores in Moline, Illinois, in February 1974, and our new Store for Homes at Merle Hay Mall in Des Moines in November 1974. In addition, in 1975 we opened a new larger replacement store in Austin, Minnesota, in July 1975, and new stores in Sioux Falls, South Dakota in September 1975, and SouthRidge Mall in Des Moines in October 1975. We also enjoyed increased sales as a result of a full year of operation of those stores opened in 1974 as well as higher sales in older established units. The sales increases resulted in corresponding increases in Cost of Goods Sold.

Buying, Selling and Administrative Expenses Less Credit Service Charges increased in 1974 over 1973 due primarily to increases in supplies, communications and other administrative expenses totaling \$524,000 with a decrease in credit service charges of \$210,000. Supplies, insurance, equipment repair, travel and other administrative expenses increased \$1,621,000 while credit service charge income increased \$544,000 for the total increase of \$1,077,000 in 1975 over 1974.

The increase in Salaries and Wages in 1974 and 1975 was due to the increases in minimum wages effective May 1, 1974, January 1, 1975 and January 1, 1976 and the resultant ripple effect on all other payroll costs in addition to the additional personnel required for the new stores opened during the periods.

The increase in Property Rentals of \$219,000 between 1973 and 1974 and \$665,000 between 1975 and 1974 was due to the new units opened in 1973, 1974 and 1975 as well as the higher sales generated in stores in which percentage rentals were being paid.

The higher depreciation in 1974 of \$354,000 over 1973 and \$281,000 in 1975 over 1974 is due to the depreciation of the new units opened in 1973, 1974 and 1975 as previously mentioned as well as depreciation on the extensive remodeling done at our Westroads unit in Omaha in 1974 and our Merle Hay Mall unit in Des Moines in 1975.

The higher Taxes Other Than Income in 1975 over 1974 is due to higher real estate and higher personal property taxes because of larger inventories and increased valuation of store fixtures. Included in Other Income in 1972 was \$1,925,000 which was the gain on the sale of 112,500 shares of General Growth Properties. The increase in 1975 over 1974 is due principally to an increase in equity in earnings of investments (principally Paul Harris Stores, Inc.), and an increase in realized gain on sale of securities.

Special Prices
FOR TEN DAYS, at
YOUNKER BRO'S,
—ON—
Table Linens,
Napkins, Towels,
Sheetings and
Comforts.

This is an opportunity to secure such useful articles at a big reduction on regular prices, also giving housekeepers the advantage to replenish their stock at a saving of 25 per cent.

515 & 517 Walnut St.

Statements of Earnings

Years ended January 31, 1976 and 1975	<u>1976</u>	<u>1975</u>
Net sales, including leased departments	\$118,853,758	\$106,892,662
Costs and expenses:		
Cost of goods sold (note 2)	75,103,383	67,739,381
Buying, selling and administrative expenses (less credit service charges) exclusive of items listed below	8,892,033	7,815,210
Salaries and wages	19,056,007	17,313,643
Property and equipment rentals, net (note 9)	2,871,784	2,207,454
Depreciation	2,189,600	1,907,765
Taxes other than income	2,364,906	2,132,471
Contribution to profit sharing trust	923,179	907,287
Interest and financing, primarily on long-term debt	586,125	564,343
	<u>111,987,017</u>	<u>100,587,554</u>
Operating income	6,866,741	6,305,108
Other income (deduction), net:		
Investment income (excludes unrealized appreciation (depreciation) of equity securities of \$5,156,714 in 1976 and (\$794,460) in 1975)	1,820,508	1,199,324
Other	29,689	(11,081)
	<u>1,850,197</u>	<u>1,188,243</u>
Earnings before income taxes and extraordinary credit	8,716,938	7,493,351
Income taxes (note 7):		
Current	2,915,000	3,423,000
Deferred	795,000	(2,000)
	<u>3,710,000</u>	<u>3,421,000</u>
Earnings before extraordinary credit	5,006,938	4,072,351
Extraordinary credit, less related income taxes of \$274,000 (note 8)	—	252,749
Net earnings	<u>\$ 5,006,938</u>	<u>\$ 4,325,100</u>
Earnings per common share:		
Earnings before extraordinary credit	\$3.51	\$2.81
Extraordinary credit	—	.18
Net earnings	<u>\$3.51</u>	<u>\$2.99</u>

See accompanying notes to financial statements.



CLOTHING
SIXTH &
DES MOINES

YANKER BROS.



Balance Sheets

January 31, 1976 and 1975

ASSETS

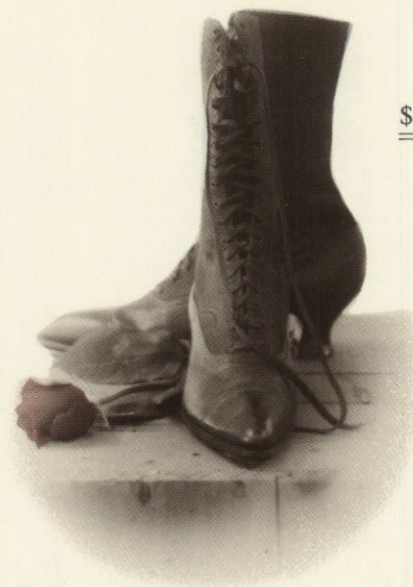
Current assets:

	1976	1975
Cash	\$ 2,759,442	\$ 2,378,059
Marketable securities, at cost (market value — 1976, \$1,756,587; 1975, \$1,240,773) (note 3)	1,387,270	1,571,411
Receivables, less allowance for doubtful receivables and unearned finance charges of \$626,000 (\$539,000 in 1975)	20,232,301	16,756,762
Merchandise inventories on hand and in transit, less provision for discounts in inventories, \$797,018 (\$657,532 in 1975) (note 2)	22,822,151	20,132,865
Prepaid expenses	822,723	1,240,179
Total current assets	<u>48,023,887</u>	<u>42,079,276</u>
Investments (note 4)	6,502,976	6,306,771
Property, plant and equipment, at cost:		
Land	1,129,942	1,154,767
Buildings and improvements on owned properties	2,491,975	2,694,841
Buildings and improvements on leased properties	7,202,893	7,138,843
Furniture, fixtures and equipment	29,619,000	24,111,657
	40,443,810	35,100,108
Less accumulated depreciation	18,930,329	17,261,729
Net property, plant and equipment	<u>21,513,481</u>	<u>17,838,379</u>
Other assets (note 5)	<u>384,916</u>	<u>203,172</u>

\$76,425,260

\$66,427,598

See accompanying notes to financial statements.



LIABILITIES AND STOCKHOLDERS' EQUITY

	1976	1975
Current liabilities:		
Notes payable to banks.....	\$ 2,000,000	\$ —
Current installments of long-term debt (note 6).....	634,000	634,000
Accounts payable.....	8,299,234	3,436,199
Income taxes.....	1,385,279	1,938,287
Deferred income taxes.....	1,946,000	1,588,000
Accrued taxes other than income.....	1,381,018	1,413,313
Other accrued expenses.....	1,949,656	1,419,441
Total current liabilities.....	17,595,187	10,429,240
Long-term debt, excluding current installments (note 6).....	6,752,000	7,386,000
Provision for deferred compensation.....	313,000	406,250
Deferred income taxes.....	2,821,000	2,384,000
Total liabilities.....	27,481,187	20,605,490
Stockholders' equity:		
Capital stock:		
Serial preferred stock of \$100 par value per share.		
Authorized 22,058 shares; issued:		
5% cumulative series, 14,000 shares.....	1,400,000	1,400,000
Second 5% cumulative series, 2,142 shares.....	214,200	214,200
7% non-callable preferred stock of \$10 par value per share,		
cumulative. Authorized and issued 100,000 shares.....	1,000,000	1,000,000
Common stock without par value. Authorized 2,500,000 shares;		
issued 1,600,115 shares.....	5,427,712	5,427,712
Additional paid-in capital.....	1,082,427	1,082,427
Reinvested earnings (note 6).....	44,975,547	41,778,704
Cost of 220,796 common shares in treasury (217,296 in 1975)....	(5,155,813)	(5,080,935)
Total stockholders' equity.....	48,944,073	45,822,108
Commitments (note 9).	\$76,425,260	\$66,427,598

**Shoes Underpriced
For Saturday**



Our Shoe Department on the second floor carries a full line of Ladies', Misses' and Children's Shoes from \$5.00 per pair down. Also the Sorosis at \$3.50 and "Queen Quality" at \$3. Tomorrow we offer these specials:

- Ladies' Shoes**—200 pairs of Ladies' Dongola Kid, laced or buttoned, patent or stock tip, opera or or "common sense" heel, a good serviceable shoe worth \$1.75 to \$2.00 per pair, Saturday **\$1.29** for.....
- Boy's Shoes**—200 pairs boy's satin calf school Shoes, worth \$1.75, a Saturday bargain **\$1.25** for.....
- Girl's Shoes**—200 pairs of girls box calf Shoes, solid and good to wear, worth \$1.75, all sizes, Saturday, per pair..... **\$1.25**

FRIDAY EVENING, FEBRUARY 23, 1900.

THE DES MOINES DAILY NEWS

Tomorrow—
Saturday,

We invite all Des Moines to a feast of winsome finery.

YOUNKER BROS

Sole Agents for "SOROSIS," the New Shoe for Women—15 Styles—
Every Foot Fitted—per Pair, \$3.50.

Tomorrow—
Saturday,

We welcome the masses to view our great display of elegant appointments.

Tomorrow—Saturday—is this City's Popular Shopping Day at Younkens'.

Statements of Changes in Financial Position

Years ended January 31, 1976 and 1975

	1976	1975
Sources of working capital:		
Earnings before extraordinary credit	\$5,006,938	\$4,072,351
Items which do not use (provide) working capital:		
Depreciation	2,189,600	1,907,765
Deferred income taxes	437,000	119,000
Provision for deferred compensation	81,750	50,050
Reduction in provision for self-insurance	(175,000)	(50,000)
Earnings from investments reported on equity method	(503,365)	(227,911)
Loss from write-off of investment	37,298	25,480
Working capital provided by operations exclusive of extraordinary credit	7,074,221	5,896,735
Extraordinary credit, less related income taxes (note 8)	—	252,749
Transfer current portion of long-term notes receivable to current assets	355,494	73,064
Return of capital dividend from General Growth Properties	110,329	52,404
Dividends and distributions from investments reported on equity method	95,594	46,031
Decrease in working capital	1,221,336	1,242,251
	<u>\$8,856,974</u>	<u>\$7,563,234</u>
Uses of working capital:		
Purchase property, plant and equipment, net	\$5,864,702	\$3,777,153
Declare dividends	1,810,095	1,821,958
Purchase common stock of Paul Harris Stores, Inc.	13,266	86,022
Purchase treasury stock	74,878	1,261,055
Transfer current portion of long-term debt to current liabilities	634,000	634,000
Acceptance of long-term notes (note 5)	225,123	—
Other	234,910	(16,954)
	<u>\$8,856,974</u>	<u>\$7,563,234</u>

(Continued)

Statements of Changes in Financial Position (Continued)

	1976	1975
Changes in working capital:		
Increase (decrease) in current assets:		
Cash	\$ 381,383	\$(4,854,141)
Marketable securities	(184,141)	(970,559)
Receivables, net	3,475,539	941,382
Merchandise inventories	2,689,286	1,503,974
Prepaid expenses	(417,456)	482,733
	5,944,611	(2,896,611)
Increase (decrease) in current liabilities:		
Notes payable to banks	2,000,000	—
Accounts payable	4,863,035	(1,682,254)
Income taxes	(553,008)	(19,304)
Deferred income taxes	358,000	(121,000)
Other accrued expenses	497,920	168,198
	7,165,947	(1,654,360)
(Decrease) in working capital	\$(1,221,336)	\$(1,242,251)

See accompanying notes to financial statements.





Statements of Stockholders' Equity

Years ended January 31, 1976 and 1975

	1976	1975
Preferred stock — no change during year	\$ 2,614,200	\$ 2,614,200
Common stock — no change during year	5,427,712	5,427,712
Additional paid-in capital — no change during year	1,082,427	1,082,427
Reinvested earnings:		
Balance at beginning of year	41,778,704	39,275,562
Net earnings	5,006,938	4,325,100
	<u>46,785,642</u>	<u>43,600,662</u>
Deduct dividends:		
Serial preferred stock:		
5% cumulative series, \$5 per share	70,000	70,000
Second 5% cumulative series, \$5 per share	10,710	10,710
7% non-callable preferred stock, \$0.70 per share	70,000	70,000
Common stock — \$1.20 per share	1,659,385	1,671,248
	<u>1,810,095</u>	<u>1,821,958</u>
Balance at end of year	<u>44,975,547</u>	<u>41,778,704</u>
Cost of common shares in treasury:		
Balance at beginning of year, 217,296 shares (1975, 153,246 shares)	(5,080,935)	(3,819,880)
Shares purchased during the year, 3,500 shares (1975, 64,050 shares)	<u>(74,878)</u>	<u>(1,261,055)</u>
Balance at end of year, 220,796 shares	<u>(5,155,813)</u>	<u>(5,080,935)</u>
Total stockholders' equity	<u>\$48,944,073</u>	<u>\$45,822,108</u>

See accompanying notes to financial statements.



Notes to Financial Statements

January 31, 1976 and 1975

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

(a) MARKETABLE SECURITIES (NOTE 3)

At January 31, 1976, marketable securities are carried at the lower of aggregate cost or market. At January 31, 1975, marketable securities were not required to be carried at the lower of cost or market at the balance sheet date and were carried at cost.

In computing realized gains and losses on securities sold, the Company uses the average cost method for determining cost.

(b) ACCOUNTS RECEIVABLE

Consistent with industry practice, installment accounts receivable have been included in current assets, although insignificant amounts will become due after one year.

The allowance for doubtful receivables represents 2.5 percent (2.6 percent in 1975) of customer accounts receivable at year end, and is determined by historical loss experience and current analysis of receivable delinquencies.

Unearned finance charges on installment accounts receivable are deferred and reduce accounts receivable. Finance charges are recognized in earnings as installment payments are received, and reduce buying, selling and administrative expenses in the statements of earnings.

(c) MERCHANDISE INVENTORIES

At January 31, 1976 and 1975 inventories are stated at cost determined by the last-in, first-out method (which is not in excess of market value).

(d) INVESTMENTS (NOTE 4)

The Company's investment in General Growth Properties (GGP) (formerly carried on the equity basis) is stated at equity in net assets at January 31, 1973, reduced by subsequent dividends received from GGP in excess of the Company's proportionate share of GGP's net earnings.

The Company's investment in Paul Harris Stores, Inc., is carried on the equity basis.

The Company's investment in Becker Communications Associates, is stated at the amount of the original investment plus undistributed partnership income.

All other investments are stated at cost.

(e) PROPERTY, PLANT AND EQUIPMENT

Depreciation expense is provided primarily on the straight-line method over the estimated useful lives of the assets. Maintenance, repairs and renewals are charged against income. Betterments are capitalized and subsequently depreciated. The cost and accumulated depreciation of properties retired or otherwise disposed of are eliminated from the asset and accumulated depreciation accounts. Related profit or loss from such transactions is credited or charged to income.

Annual rates of depreciation used by the Company are as follows:

Buildings and improvements on owned properties	2%-5%
Buildings and improvements on leased properties	Lesser of lease period or useful life
Building equipment	2½ %-10%
Furniture, fixtures and equipment	6⅔ %-33⅓ %

(f) PROVISION FOR DEFERRED COMPENSATION

The Company has employment contracts with two officers providing for benefits to be paid to them in installments upon retirement or, in event of death, to their beneficiaries. The present value of future compensation is provided for currently on a straight-line basis to date of retirement. The aggregate provision for these contracts at January 31, 1976, was \$313,000 (\$231,250 in 1975).

(g) STORE OPENING EXPENSE

The expenses relating to the opening of new stores are charged to operations when incurred.

(h) EMPLOYEES' PROFIT SHARING PLAN

The employees' profit sharing retirement plan covers full-time employees who have five or more years of continuous service and who are under 66 years of age. The annual contribution, subject to specified limitations, is the larger of 10 percent of net profits of the Company as defined or an amount authorized by the board of directors.

(i) EARNINGS PER COMMON SHARE

Earnings per common share is computed by dividing net earnings, after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding during the year.

(2) CHANGE IN ACCOUNTING METHOD

The Company changed its inventory valuation basis to cost applied on the last-in, first-out (LIFO) method on February 1, 1974. Previously inventories were stated at the lower of cost or market as determined by the

Notes to Financial Statements

(2) CHANGE IN ACCOUNTING METHOD *continued*

retail inventory method. Had the lower of cost or market method been continued, inventories would have been approximately \$829,000 and \$406,000 higher than reported at January 31, 1976 and 1975. The amount of the LIFO reserve at January 31, 1976, was significantly lower than anticipated during the year as a result of the 3.5 percent annual rate of inflation in merchandise inventories reported for the year ended January 31, 1976, by the Bureau of Labor Statistics. Therefore, the results of the fourth quarter contain an adjustment to give effect to the difference between the anticipated and actual rate of inflation.

(3) MARKETABLE SECURITIES

At January 31, 1976, the aggregate market value in excess of cost was comprised of gross unrealized gains of \$534,667 and gross unrealized losses of \$165,350.

Net realized gains included in other income in the statements of earnings for the years ended January 31, 1976 and 1975, are \$312,976 and \$45,660, respectively.

(4) INVESTMENTS

Investments consist of the following:

	January 31,	
	1976	1975
Equity securities:		
General Growth Properties(A)	\$2,620,046	\$2,730,375
Paul Harris Stores, Inc.(B)	2,054,896	1,623,700
Heritage Communications, Inc., at cost	319,000	319,000
	4,993,942	4,673,075
(Aggregate market value of equity securities, \$16,659,700; \$11,882,100 in 1975)(C)		
Other:		
Becker Communications Associates, a limited partnership, at equity	1,054,407	1,064,461
General Growth Properties, 6½ % second mortgage note due in monthly installments to October 1, 1978	418,816	496,022
Miscellaneous, at cost	35,811	73,213
	\$6,502,976	\$6,306,771

(A) Dividends received during the years ended January 31, 1976 and 1975, amounted to \$912,307 and \$796,458, of which \$110,329 and \$52,404 represented a return of investment and \$801,978 and \$744,054 represented income, and is included in other income in the statements of earnings.

At January 31, 1976 and 1975, the Company held 724,053 shares of GGP or approximately 12.7 percent of the outstanding shares of GGP. The market value of GGP shares on the New York Stock Exchange at January 31, 1976, was \$19.00 per share (\$14.875 at January 31, 1975).

(B) At January 31, 1976, the Company owned 203,202 shares or 23.9 percent of Paul Harris Stores, Inc., common stock (201,606 shares or 24.13 percent at January 31, 1975, after adjustment for a 2 for 1 split). This investment is accounted for by the equity method. Equity earnings, included in other income in the statements of earnings for the years ended January 31, 1976 and 1975, are \$448,329 and \$162,460, respectively.

The bid price of Paul Harris Stores, Inc., on the national over-the-counter market at January 31, 1976, was \$13.50 per share (\$3.25 at January 31, 1975).

(C) At January 31, 1976, the aggregate market value in excess of stated value for the above equity securities was comprised of gross unrealized gains of \$11,825,300 and gross unrealized losses of \$159,500.

(5) MANAGEMENT NOTES RECEIVABLE

Other assets include notes receivable from certain management employees amounting to \$225,123. The notes were accepted in connection with a stock purchase plan. Designated management employees are permitted, subject to certain limitations, to borrow at 5 percent interest in order to acquire shares of the Company's common stock. The loans are evidenced by unsecured notes due one-third at the end of five years and the balance five years later.

(6) LONG-TERM DEBT

Long-term debt consists of unsecured notes bearing interest at 5 percent and 6½ percent per annum, payable in 1976 through 1988. Maturities of principal for the five years ended January 31, 1981, are \$634,000 per year.

Among the provisions of the loan agreements are restrictions on the payment of cash dividends and purchases of capital stock. At January 31, 1976, approximately \$19,571,652 reinvested earnings was unrestricted as to such payments.

(Continued on Page 16)



AGENCY
FOR



DR. JAEGER'S UNDERWEAR

Visit Our
Childrens
Clothing
Dept

Notes to Financial Statements

(7) INCOME TAXES (DOLLARS IN THOUSANDS)

Components of income tax expense for the two years ended January 31, 1976 and 1975, are as follows:

	Current	Deferred	Total
1976:			
Federal	\$2,404	\$664	\$3,068
State	511	131	642
	<u>\$2,915</u>	<u>\$795</u>	<u>\$3,710</u>
1975:			
Federal	\$2,907	\$ (2)	\$2,905
State	516	—	516
	<u>\$3,423</u>	<u>\$ (2)</u>	<u>\$3,421</u>

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the related tax effect of each are as follows:

	Year ended January 31	
	1976	1975
Accelerated depreciation	\$356	\$100
Installment method of accounting for deferred payment sales and unearned finance charges	405	15
Allowance for doubtful receivables	(26)	25
Dividends representing return of capital	(35)	(14)
Undistributed earnings of investee companies	160	61
Accrued common area expenses	(21)	(161)
Other, net	(44)	(28)
	<u>\$795</u>	<u>\$ (2)</u>

Total income tax expense for January 31, 1976 and 1975, differs from the amount of income tax expense computed by applying the normal United States Federal income tax rate of 48 percent to earnings before income taxes. The reasons for such differences are as follows:

	1976	1975
Computed income tax (48% of earnings before income taxes and extraordinary credit)	\$4,184	\$3,576
Increases (reductions) in taxes resulting from:		
State income taxes, net of:		
Federal income tax benefit	334	268
Benefit from income taxed at capital gains rate ..	(193)	(124)
Investment tax credit	(499)	(205)
Other, net	(116)	(94)
	<u>\$3,710</u>	<u>\$3,421</u>

Investment tax credit is recorded as a reduction of the provision for Federal income taxes in the year realized.

(8) EXTRAORDINARY CREDIT

The Company received \$600,000 in satisfaction of a judgment against a commercial paper dealer. Such settlement is the result of a joint suit filed in connection with the Company's loss on Penn Central Transportation Company commercial paper. The loss was reported as an extraordinary charge in fiscal 1971. The settlement amount is reduced by associated legal fees and applicable income taxes.

(9) LEASE COMMITMENTS (DOLLARS IN THOUSANDS)

For disclosure purposes lease arrangements are classified as either "financing" or "operating" leases. A "financing" lease has been defined as one which, during the noncancellable lease period, either (i) covers 75 percent or more of the economic life of the property or (ii) has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on the use of the assets involved.

The Company occupies certain stores and warehousing facilities and uses certain equipment under lease arrangements.

Total rental expense for the two years ended January 31, 1976, was as follows:

	Year ended January 31		Financing	Operating
	1976	1975		
Minimum rentals	\$2,368	\$129	2	5
Contingent rentals	574	7	5	5
Sublease rentals	(206)	—	—	(9)
	<u>\$2,736</u>	<u>\$136</u>		

(9) LEASE COMMITMENTS (DOLLARS IN THOUSANDS) continued

Contingent rentals paid to lessors of certain store facilities are determined on the basis of a percentage of sales in excess of stipulated minimums, and common area charges at shopping centers.

A summary of noncancellable long-term minimum lease commitments follows:

Year ending January 31	Type of property		Type of lease		Total commitment
	Real property	Equipment	Financing	Operating	
1977	\$ 2,698	\$194	\$ 2,765	\$127	\$ 2,892
1978	2,723	151	2,735	139	2,874
1979	2,710	125	2,665	170	2,835
1980	2,650	120	2,661	109	2,770
1981	2,651	114	2,669	96	2,765
1982-1986	13,044	333	13,012	365	13,377
1987-1991	11,323	—	11,193	130	11,323
1992-1996	8,743	—	8,743	—	8,743
After 1996	<u>13,801</u>	<u>—</u>	<u>13,801</u>	<u>—</u>	<u>13,801</u>

Minimum rental commitments for real property have been reduced by the following sublease rentals:

Year ending January 31	Financing leases	Operating leases
1977	\$121	\$ —
1978	69	2
1979	7	20
1980	—	20
1981	—	20
1982-1986	—	102
1987-1991	<u>—</u>	<u>39</u>

All leases expire prior to 2018. The Company's real estate tax, insurance, and maintenance expense obligations vary from lease to lease. Minimum rental payments under gross leases have not been reduced by the amount of applicable executory expenses. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than amounts shown for 1977.

(over)

Notes to Financial Statements

(9) LEASE COMMITMENTS (DOLLARS IN THOUSANDS) continued

The present values, in aggregate, and by major categories of assets, of minimum lease commitments, applicable to non-capitalized "financing" leases at January 31, 1976 and 1975, were as follows:

Interest Rates Used in Present Value Computation

Asset Category	Weighted Average		Range		Present Value	
	1976	1975	1976	1975	1976	1975
Real property	6.7%	6.2%	5.5%-8.0%	5.5%-8.0%	\$28,383	\$22,018
Equipment	8.0%	8.0%	8.0%	8.0%	781	107
					<u>29,164</u>	<u>22,125</u>
Less present values of rentals to be received under subleases of real property	6.0%	5.6%	5.5%-9.0%	5.5%-6.0%	156	174
					<u>\$29,008</u>	<u>\$21,951</u>

If all non-capitalized "financing" leases were capitalized, related lease rights were amortized on a straight-line basis and interest cost accrued on the basis of the outstanding lease liability, net earnings would have been reduced as follows:

	Year ended January 31	
	1976	1975
Amortization of lease right	\$1,211	\$1,056
Interest cost	1,580	1,389
Rent expense	(2,411)	(2,120)
	380	325
Income taxes	198	169
Pro forma reduction of net earnings	<u>\$ 182</u>	<u>\$ 156</u>

Accountants' Report

Board of Directors and Stockholders
Yunker Brothers, Inc.:

We have examined the balance sheets of Yunker Brothers, Inc. as of January 31, 1976 and 1975 and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Yunker Brothers, Inc. at January 31, 1976 and 1975 and the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.

March 22, 1976

Yunker Brothers, Inc. operates a group of 25 retail stores in Iowa, Nebraska, Illinois and Minnesota. Full line department stores including furniture, major appliances and carpeting are operated in downtown Des Moines, Merle Hay Mall, Des Moines, Cedar Rapids and Sioux City, Iowa. The remaining stores carry all merchandise normally carried in department stores except furniture, major appliances and carpeting. Sales are made for cash and on credit. The company regularly employs approximately 4,400 people with the number increasing to approximately 5,400 during the peak Christmas season.

THE DES MOINES LEADER: FRIDAY MORNING, JANUARY 29 1977



YUNKER BROS.

IT BEGINS TOMORROW, SATURDAY, JAN. 30
Our Annual Supreme Sale of
MUSLIN UNDERWEAR,

Parisian Lingerie, Laces and Embroideries.

A Brilliant Gowns, Drawers, Skirts, Chemises, Dresses, Corsets, Assemblies, Erics, Bands, Edgings and Linen Remnants.....



Night Gowns...

Delights to the eye, delightfully elegant, feminine, graceful, full size, crisp, fresh, rich and impressive—no ordinary gowns. All the latest styles here. The Bishop, Bolero, Minkler, Vian, Corsets, Dress adorned with all the besting household and high grade lace and embroideries. WE OFFER a tempting line of popular priced goods.

Skirts...

A beautiful pretty feature, the dearest in the lot worth twice what you pay for it here. Skirted a bewitching ruffle of tulle, lace and feminine skirts that tell in silent white-tone of their own perfection here in abundance—ordinary goods. Best qualities of muslin, satins and lace—best, excellent, tucked, hemmed, flared, flared, bonnet to the brilliant assembly. We offer a splendid lot of fine Muslin Skirts, hemmed and tucked.

A BRILLIANT Muslin Chemise, hemmed and tucked. \$0c
A Grand Muslin night-gown, hemmed and tucked. \$0c
A beautiful line of Chemise and Muslin, hemmed and tucked. \$1.00

A beautiful line of Chemise and Muslin, hemmed and tucked. \$1.50
A beautiful line of Chemise and Muslin, hemmed and tucked. \$1.75
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The Most Superb Display of Under Muslin ever attempted by any other western house—embracing perfect gems of artistic needlework from airy, bright American factories and industrial centers—everything here intended for feminine wear, is both dainty and rich, blending with the best ideas of people of taste—full of grace—generous in material—delicately designed, richly trimmed with laces and embroideries.

Honest Work, in every lay of hem, fold of pleat and sweep of curve—tempting—abundant—satisfactory.
Honest Goods, honestly made up, at lower prices than can be offered by others in the secret of twenty years of success—our resources make seeming impossibilities, possible, and create a general demand by the shopping masses.

"Guaranteed Satisfaction" is the keynote here—keen customers know values. They know that our Muslin Underwear purchases made for January and February, create lower prices than can be offered later in the season. They have long concluded that when other muslins are good, ours are better—when others are low priced ours are lower priced; this is genuine merchandising—particular talent used to favor the buyer otherwise.

The Thoughtful Woman Has Learned that strong, stylish, well stitched and trimmed Under Muslins need cost no more than she can afford—a well learned, profitable lesson—taught here.

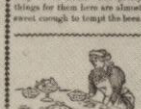
The Chemise Beautiful!
Like all the rest of our merchandise, this chemise is made from a new fabric—soft, smooth, and comfortable. It is a combination of the best of both worlds—extra long and short, and with a full length of neck to suit your taste. It is a beautiful combination of factory made, hand made, and machine made. It is a beautiful combination of factory made, hand made, and machine made. It is a beautiful combination of factory made, hand made, and machine made.



Ladies' Wrappers
These ladies' wrappers are made from a new fabric—soft, smooth, and comfortable. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made.



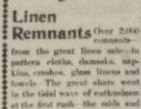
Infants' Wear
These infants' wear items are made from a new fabric—soft, smooth, and comfortable. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made.



Her Majesty's Corsets
These Her Majesty's corsets are made from a new fabric—soft, smooth, and comfortable. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made.



Drawers
These drawers are made from a new fabric—soft, smooth, and comfortable. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made.



Linen Remnants
These linen remnants are made from a new fabric—soft, smooth, and comfortable. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made. They are a beautiful combination of factory made, hand made, and machine made.

You Must At Saturday's Supreme
Come Early--- Annual Opening Sale --- Of Undermuslins.

(We have come to live here . . . continued from page 1.)

Thus the Des Moines store became Younkers new 'main' store, a position it still holds today.

Ever progressive, both in expansions and innovations, Younkers was the first store in Des Moines to employ a woman clerk. It was in 1881 and Mrs. Mary McCann, acutely aware of her unique position as the only woman in a business world dominated by men, kept herself discreetly to the rear of the store. Soon, however, timidity gave way to success as women customers began seeking her out because they liked the idea of being waited on by a woman.

The turn of the century triggered an era of growth for Younkers, making news nearly every year with a remodeling project, stock purchases, modernization, or expansion. In 1913, the opening of Younkers Tea Room made department store history. By 1923, Younkers had become a block-long store. In 1927, the merger of Younkers and Harris-Emery's created the largest store in Iowa. A year later, J. Mandelbaum & Sons, a long-established department store, was purchased and the stock moved to Younkers.

Younkers was among the pioneer merchants in transforming the old-



time dry goods store into the department store with all its merchandising services and special promotional activities.

In 1941 the branch store era began with the opening of the 'little shop' in Ames. Continued growth was the constant story as Younkers expanded to

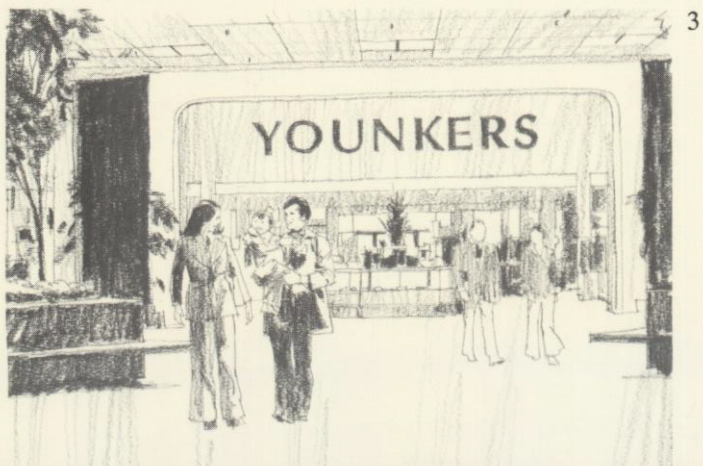
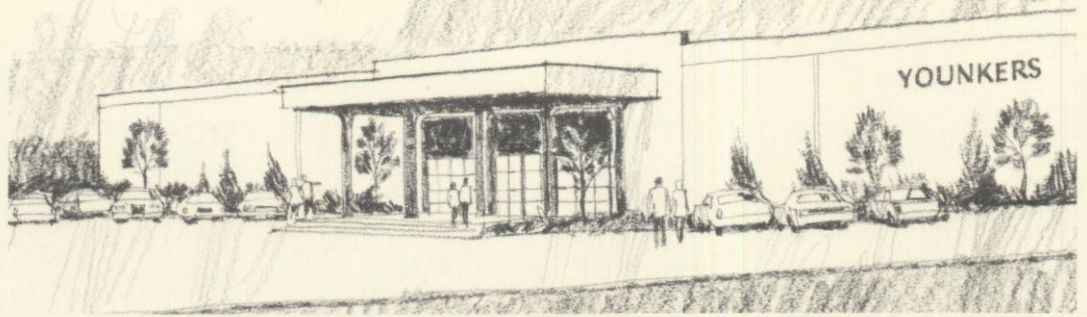
its present level of twenty-five stores in five states, with the promise of more to come.

Internal innovations continue, too. New departments open. Old departments stay young with periodic face lifts. And merchandise is constantly being updated. Younkers buyers travel around the country and around the world to find the newest and best in fashions and home furnishings for their customers.

Today, there are over 4,400 Younkers employees giving Midwesterners the "Satisfaction Always" service they have come to know, appreciate and expect. Remaining open to right changes and holding fast to right traditions. For as the founding Younker brothers stated nearly 120 years ago: "We have come to live here and we mean to do what is right."

Younkers Expansion 1975

1. Younkers in the Empire Plaza, Sioux Falls, South Dakota, opened on September 24, 1975.
2. Des Moines newest Younkers store opened in the South-Ridge Mall on October 15, 1975.
3. A new Younkers store in Austin, Minnesota, opened in the Oak Park Mall on July 23, 1975.



Officers of Younker Brothers, Inc.



Left to right: CHARLES DUCHEN,* President and Director; FRED A. GLYNN, Senior Vice President and Director; WILLIAM FRIEDMAN, JR., Executive Vice President and Director; ROY RICHARDS, Vice President and Director; STANLEY H. KRUM, Senior Vice President and Director; KENNETH J. McCARTHY, Vice President — Finance, Secretary-Treasurer and Director.

DIRECTORS:

JOSEPH F. ROSENFELD*
Chairman of the Executive Committee
MOREY SOSTRIN
Chairman of the Board
WILLIAM FRIEDMAN, SR.*, Lawyer

STANLEY B. FRIEDMAN, Vice President
Iowa Savings and Loan Association
J. STUART KIRK, Retired
ROBERT J. MANDELBAUM, Investments
ROBERT LUBETKIN, Merchandise Manager

*Member of the Executive Committee



